

Idaho Natural Gas Utilities

The Idaho Public Utilities Commission regulates two natural gas utilities - Intermountain Gas Company and Avista Utilities. Questar Gas provides service to a small number of customers in southeast Idaho, but is regulated by the Utah commission.

Intermountain Gas supplies natural gas to southern Idaho, serving nearly 230,000 customers. Avista has gas operations in eastern Washington and northern Idaho, serving nearly 59,000 customers in northern Idaho.

In June 1990, Questar Gas - then known as Mountain Fuel Supply Co. - of Salt Lake City, Utah, applied to the commission for authority to serve Idaho customers in the Preston area. Together, the commission and the Idaho Legislature amended *Idaho Code 61-505*, clarifying the commission's ability to contract with neighboring state regulators to regulate rates in Idaho border communities served by the neighboring state's utilities. The amendment encourages such utilities to extend service into Idaho without incurring undue regulatory expense.

When natural gas reached Idaho communities in the 1950s, local distribution companies' supply came from the Northwest Pipeline Corporation of Salt Lake City. The pipeline serves much of the Pacific Northwest, connecting the Four Corners fields of the southwest with Canadian supply.

Customers of Intermountain Gas and Avista faced significant increases in their rates during the summer season, a period when rates are historically low.

An increased demand for gas during the "off season," and the opening of the Alliance Pipeline, which has allowed low-cost Canadian gas to be transported to markets in the Midwest where gas prices are generally much higher, are cited as reasons for the increase in price. Additionally, there has been an increase in the number of natural gas fired turbines for electric power generation which has increased competition for gas supply during the summer months, a period which historically has been used by gas companies to purchase and store gas at low prices for use during the winter months when demand and prices are generally higher.

	Intermountain	Avista	Questar	Total
Customers	229,807	58,785	1,621	290,213
% of Total	79.19%	20.26%	0.56%	100%
Therms (millions)	504.5	133.8	1.8	640.1
% of Total Therms	78.82%	20.90%	0.28%	100%
Revenue (millions)	\$223.16	\$60.17	\$1.04	\$284.37
% of Total Revenue	78.48%	21.16%	0.37%	100%

INTERMOUNTAIN GAS COMPANY

	Residential	Commercial	Industrial	Transportation	Total
Customers	205,435	24,250	10	111	222,976
% of Total	89.395%	10.553%	0.004%	0.048%	100%
Therms (millions)	162.1	91.9	2.8	247.7	504.5
% of Total Therms	31.23%	18.28%	0.61%	49.88%	100%
Revenue (millions)	\$138.71	\$71.97	\$1.69	\$10.78	\$223.16
% of Total	62.16%	32.25%	0.76%	4.83%	100%

AVISTA UTILITIES

Idaho services only

	Residential	Commercial	Industrial	Transportation	Total
Customers	51,753	6,895	130	7	58,785
% of Total	88.04%	11.73%	0.22%	0.01%	100%
Therms (millions)	39.8	24.4	2.7	66.9	133.8
% of Total Therms	28.49%	19.44%	3.07%	49%	100%
Revenue (millions)	\$36.89	\$20.79	\$1.28	\$1.21	\$60.17
% of Total	61.31%	34.55%	2.13%	2.01%	100%

QUESTAR GAS COMPANY

	Residential	Commercial	Industrial	Transportation	Total
Customers	1,620	1	0	0	1,621
% of Total	99.94%	0.06%	0.00%	0.00%	100%
Therms (millions)	1.7	0.1	0.0	0.0	1.8
% of Total Therms	95.19%	4.81%	0.00%	0.00%	100%
Revenue (millions)	\$0.99	\$0.05	\$0.00	\$0.00	\$1.04
% of Total	95.19%	4.81%	0.00%	0.00%	100%

Gas Utility Case Reviews

June 30, 2003

INTERMOUNTAIN CUSTOMERS GET 33% INCREASE

Case No. INT-G-02-3, Order No. 29277

Intermountain Gas Company

555 S. Cole Road
P O Box 7608
Boise, ID 83707

208-377-6840

(Boise)

208-365-3004

(Emmett)

208-788-3488

(Hailey)

208-522-6095

(Idaho Falls)

208-467-7491

(Nampa)

Residential Rates
(RS2, customers using
gas for both space and
water heating)

Summer

\$2.50/month

\$0.78022/therm

Winter

\$6.50/mo

\$0.74659/therm

Gas rates for customers of Intermountain Gas will increase an average 33 percent effective Tuesday, according to an order issued by the Idaho Public Utilities Commission.

The company had requested an average 38 percent increase in response to rapidly escalating costs of wholesale natural gas. Intermountain, which does not drill its own wells, is dependent on wholesale gas to supply its 200,000 customers across southern Idaho.

Customers have been paying \$3.20 per million BTUs since a 28 percent decrease was granted one year ago. Since then, wholesale gas costs have increased to \$5 or higher. "Based on the record we find that gas prices have dramatically increased and the gas rates previously authorized ... are not adequate to compensate Intermountain Gas for the prices it pays its gas suppliers," the commission said.

The increase effective today will raise nearly \$53.7 million, all of which must go to pay for gas to serve Intermountain's customers and not to increase company earnings. Commission staff, conducting a comprehensive audit of the company, verified that Intermountain's profits would not increase if its application were granted.

The commission encouraged the company to not only continue but improve its current programs of mass media and website activities to promote the efficient use of natural gas, especially following this large rate increase. "Conservation and demand-side management programs are powerful tools Idahoans can use to mitigate the impact of this rate increase as well as ones that may occur in the future," the commission said.

"We expect Intermountain Gas to operate efficiently most especially during times like these where drastic increases in wholesale gas costs are a real possibility," the commission said. "Thus, Intermountain must look at all possible avenues to reduce costs to minimize the rate shock to customers as much as possible."

For residential customers who use natural gas for both space and water heating, the increase is 33.3 percent, or an average monthly increase of \$15.20. The company requested 37.9 percent. For residential customers who use natural gas for space heating only the increase is 29.5 percent, or an average

monthly increase of \$10.71. The company requested 33.4 percent. Commercial customers will experience an increase of 37.5 percent. The company requested 42.5 percent.

The wholesale price for gas makes up for more than half of a customer's gas bill. The company is currently receiving 32 cents per therm for wholesale gas and asked the commission for an increase to 50.3 cents. The commission granted 47.5 cents.

The residential customer who uses gas for space heating and water will pay about 81.3 cents per therm beginning Tuesday, about a 20-cent hike. The average customer in this category, Intermountain's largest customer class, uses about 76 therms a month. Customers who use natural gas for heating only will pay 92.2 cents per therm, an increase of about 21 cents.

The commission did note the company believes that the wellhead price for natural gas could ultimately decline as a result of recent increases in drilling and production. The commission instructed the company to come before the commission again this year before the winter heating season if forward prices materially deviate up or down from the 47.5 cents per therm granted today.

The commission held hearings in Boise, Twin Falls and Idaho Falls regarding Intermountain's request and received nearly 200 written comments from customers. "Based on the public comments, it is clear that a significant rate increase will be a hardship to many Intermountain Gas customers, particularly to those on fixed and/or low incomes," the commission said. However, the commission must also consider even greater potential increases to customers if the company is not allowed to recover gas costs now and accumulates deferral balances with interest that would have to be paid off eventually.

The commission did question why the company did not lock in some prices to hedge against market volatility. The commission said it will "investigate and determine what actually constitutes Intermountain's risk management policy" and directed the company to file a written policy within 90 days. "In addition to this requirement, the commission also strongly encourages the company to continue to increase its documentation regarding its purchases and other decisions," the commission said.

A commission staff audit found that the company did take several positive actions to reduce the price of gas for customers. For example, it sold a large portion of gas it purchased from the trading hub at Sumas, Wash., and then purchased a similar quantity of Wyoming gas at a lower price. During 2002, the company also executed financial transactions to fix the price for a portion of gas purchased for customers to protect them from upward swings. The company continues to actively search for opportunities to market its extra pipeline capacity.

The commission also directed the company to perform an additional



Avista Utilities

**P O Box 3727
Spokane, WA 99220**

509-489-0500

(Spokane)

208-664-0421

(Coeur d'Alene)

208-743-5541

(Lewiston)

208-882-7511

(Moscow)

**Residential Rates
Basic Charge \$3.28
\$0.77716/therm**



Questar Gas Company

**180 E. First South
Salt Lake City,
UT 84139
801-324-51120**

“level pay” promotion in September to allow customers to sign up before the winter heating season. Level pay allows customers to have their projected higher-use winter bills spread over a longer period of time and equalizes the amount customers pay each month.

October 30, 2002

COMMISSION OKs AVISTA GAS INCREASE

Case No. AVU-G-03-1, Order No. 29342

The Idaho Public Utilities Commission approved a rate change for Avista Gas customers that will result in an average 2.5 percent increase for Avista’s 59,000 residential customers in northern Idaho.

For a customer who uses 70 therms per month, the increase is about \$1.39 a month. For Avista’s approximate 277 commercial customers, the increase is between 2.8 percent and 3 percent depending on the size of the operation.

The increase is warranted, the commission said, because wholesale gas prices have increased and the previous rate was “not adequate to compensate Avista for the prices it pays its gas suppliers.” The approximate \$1.2 million in additional revenue the company will generate from the increase can be used only to pay for gas, not to increase the company’s profit margin.

The commission’s staff had recommended leaving rates the same in the interest of price stability. Staff anticipated that wholesale gas prices might not increase dramatically over the next year. However, the commissioners said the company’s request to set its weighted average cost of gas (WACOG) at 44.9 cents per therm is reasonable given anticipated wholesale gas costs of 48 cents per therm over the next year. Until today’s rate change, the WACOG was set at 43 cents.

While the staff’s recommendation to leave the WACOG at the current level “would provide rate stability in the short term, the commission is concerned it will cause deferral amounts that will exacerbate the need for a rate increase next year,” the commission said, noting that volatility in the gas market continues.